

ISSUES

Watching History Unfold... and Making Money As It Does

By Matt McCall and Charlie Shrem January 15, 2021

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If you've been following bitcoin at all, you've seen what may go down as one of the greatest breakouts in the history of investing.

We're obviously bullish on bitcoin, blockchain, and especially altcoins as transformational technologies that will change our world and make smart investors a ton of money.

But wow!

Bitcoin, the world's largest cryptocurrency, has been on an amazing run with a pretty steep pullback thrown in for good measure. That's fine, but short-term investors have been doing their best to navigate the highs and lows.

The highs began in December, when bitcoin rallied above \$20,000 for the first time ever. This sparked a social media frenzy as long-term bitcoin believers rejoiced.

And it didn't stop there. In less than one month, bitcoin would more than double to trade above \$41,000.

Talk about a party! Bitcoiners around the world celebrated not just New Year's but the crypto's unbelievable feat as well.

And then the rug got pulled out from under them. Well, partially pulled out.

Bitcoin fell by more than 25% to \$30,000. That's still 3X higher than where it traded just in November, but the naysayers took the opportunity to call it the bursting of the bitcoin bubble. And unsurprisingly, investors panicked.

But we hope you didn't lose any sleep. There was absolutely no reason to.

The meteoric rise of bitcoin wasn't just likely to be followed by a pullback... it *should* have been followed by a pullback. The short-term selling, a lot of which is profit-taking, makes perfect sense. After rallying from \$20,000 to \$41,000 – a 105% surge in a matter of weeks – a 50% retracement brought bitcoin back to support.

It held around \$30,000, and since then bitcoin has traded higher. It is again closing in on the \$40,000 milestone. And as you can see on the chart below, those pullbacks don't look nearly as dramatic when compared to the overall strength.



We think the action over the last month is one of the most important events to occur in the cryptocurrency sector since bitcoin started it all in 2009. The breakout and follow through above \$20,000 proves that bitcoin and its smaller peers – the altcoins we follow here in *Crypto Investor Network* – are here to stay.

In fact, the four coins in our portfolio rallied 72% over the last month, bringing our portfolio's overall return to about 78%.

And we see even bigger gains ahead. There is a massive amount of money flowing into cryptocurrencies right now as bitcoin and altcoins cannot be ignored by large firms

anymore. We're seeing more money managers, hedge funds, large institutions, and even publicly traded companies turn to cryptocurrencies and the blockchain technology that they run on.

This big money realizes that if they don't adopt a plan *today*, they will be left behind.

Ignoring cryptocurrencies and the blockchain would be similar to ignoring the advent of the internet. Unfortunately, a lot of smart people and companies did just that. They thought the internet would never amount to anything...

And where are they now? Well, you'll never know their names because they became irrelevant.

But that's not us. We applaud you for being at the forefront of the next big technological revolution that will move into the mainstream during the Roaring 2020s.

We intend to take full advantage – starting with a new addition to our portfolio today. More on that shortly.

Bitcoin's Meteoric Rise

Bitcoin's rally over the last month has been astonishing. But its rally over the last year is even more incredible.

Bitcoin traded at just \$4,107 on March 13, 2020. And on January 8, 2021, it hit a new all-time high above \$41,946. That's a 920% gain in less than 10 months!

This strength generated unbelievable profits for those who had jumped on the bitcoin train. And now, those who never made it to the station are wondering if it's too late to climb on board.

The answer... is no.

In order to understand where bitcoin and altcoins are headed from here, it's important to understand why the largest crypto rallied nearly quadruple digits in such a short period of time.

The Halvening

The “halvening” – or “halving” as it’s sometimes called – that took place in May paved the way for the current rally.

Halvenings are built into bitcoin’s code. The reward for mining new coins is cut in half roughly every four years. This drastically decreases the supply of new bitcoins coming onto the market. The May 2020 halvening cut the reward from 12.5 bitcoins to 6.25 bitcoins.

According to the basic law of supply and demand, less supply combined with steady or increasing demand leads to higher prices. And indeed, bitcoin has rallied big time to new highs after every previous halvening.

The first halvening in November 2012 sent the cryptocurrency up 2,135%. The second in June 2016 kicked off the rally to \$20,000 – which it first hit in 2017. And the third halving event sent the coin all the way to \$41,000 in less than a year.

Global Economic Chaos

COVID-19 has ravaged economic assets worldwide, causing investors to buy bitcoin as an alternative. Here are just a few of the ways the pandemic has affected the economy:

- Bond yields have fallen to zero – and in some cases into negative territory. While bonds were previously the go-to safe haven asset, they are no longer attractive. And with interest rates set to continue the recent slow rise, bond funds could take big losses.
- Investors perceived the stock market as being on shaky ground all year. Without constant government intervention and money printing, many were (and still are) afraid that stocks could collapse like they did last February and March.
- A lot of corporations and business are losing money in the current environment. This can limit near-term investment opportunities.

Fiat currencies (issued by governments) around the world have also weakened as a result of stimulus packages. Even the strongest fiat currency – the U.S. dollar – has declined by more than 10% since March.

And now there's a Blue Wave in Washington, D.C. as Democrats control the White House, the House of Representatives, and the Senate. That means a lot more government spending is likely. Between additional stimulus checks and several trillion dollars estimated to be spent on clean energy and infrastructure, we can expect to see a continued downtrend in the dollar. The printing presses will need to be on overdrive to keep up with all that spending.

But this allows the investments that benefit from a weak dollar to appreciate in value. And cryptocurrencies – bitcoin in particular – are the best positioned asset class to take advantage of that scenario.

In the face of rising fiat inflation and the potential for fiat hyper-inflation as global money printing only accelerates, many investors are turning to bitcoin and altcoins as a “store of value.”

Geopolitical Uncertainty

As the COVID-19 pandemic swept the world, governments issued safety restrictions to try to minimize its spread. These were clearly very controversial, and we don't want to get into political arguments. From our perspective as altcoin investors, the important point is that many investors feel that their freedom over money is at all-time lows.

This may be one of the biggest reasons why investors are funneling money into bitcoin en masse.

Outside of the cryptocurrency world, almost all ways to store money revolve around banks. And banks are completely centralized and controlled by the government.

Bitcoin offers one of the only ways to store money in a decentralized way – where each individual who holds bitcoin has personal sovereignty over his or her own money. This makes it an increasingly popular way to protect personal wealth.

This Is Only the Beginning...

As you can see, powerful trends and fundamentals are fueling bitcoin's rally. Some are over and done with, but many still have months (and years) to play out.

Now, all that said, could bitcoin's 900%+ rally over the last 10 months possibly have been too much too fast?

Sure. As we mentioned earlier, conditions are ripe for a pullback, especially as people who have held bitcoin for a year or longer are likely to take at least some of their profits at these elevated prices. That might mean the rally could slow down for now – but it *doesn't* mean it's over.

We have to expect bitcoin and related altcoins to pull back after their incredible performance in recent months. But our long-term outlook doesn't change, so this hands us an opportunity to take advantage of attractive prices to get in ahead of the next rally.

Even with their strength over the last month, most of our *Crypto Investor Network* altcoins are buyable at current prices. And to take full advantage of what's coming, we have one new opportunity to introduce to you today.

So, if you think you missed the crypto train, you can relax. Even if cryptocurrencies pull back further in the coming weeks and months, the strong fundamentals that drove this latest rally will fuel the next one. And at that point, we could easily be looking at "Bitcoin \$100,000."

Plus, we must mention that a JPMorgan report last December stated that if the action in bitcoin continues the way it has been, it could hit \$650,000!

It doesn't really matter if it does or doesn't. The key is that as bitcoin rises... so do the smaller altcoins in our universe of investments.

So with that, let's turn to our new recommendation this month.

New Buy: XLM

Stellar is a decentralized network that connects banks and individuals via payment systems for fast, easy, and cheap movement of money. It helps facilitate money transfers from digital currency to fiat currency (like the dollar) and vice versa.

The Stellar network is powered by its own built-in altcoin called the lumen, or **Stellar Lumens (XLM)** as it's listed. It is currently the 10th largest coin by market cap with a valuation of \$6.1 billion.

The co-founder of Stellar, Jed McCaleb, is well known in the cryptocurrency world. We're very familiar with him. He was also the co-founder of Ripple, which up until recently was the third-largest coin, and he was the man behind the exchange Mt. Gox.

If you're following crypto news, the name Ripple might scare you a little bit. It is under investigation by the SEC, which alleges that Ripple and two of its executives raised more than \$1.3 billion through an unregistered offering. That would be a big no-no.

McCaleb is no longer associated with Ripple and is not under investigation, so that doesn't concern us. Plus, Stellar appears to be set up much better than Ripple was, and it has distanced itself from the legal issues.

In fact, Ripple's legal issues are part of the opportunity we see. We believe a big chunk of the money now coming out of Ripple will flow into Stellar Lumens precisely because of the tie to McCaleb.

We also think now is a great time to buy after the coin more than tripled in early January and has now pulled back.

As you can see in the three-year chart below, XLM has made a nice move over the last year but remains well below its 2018 all-time highs. With bitcoin's important breakout to new highs and Ethereum not far behind, some of the other larger altcoins, such as Stellar Lumens, will be next.



Buying now on the most recent pullback, with the coin about 30% off its early January high, is a great opportunity with a big potential breakout in the coming months.

Another thing we like about Stellar is that it has worked with some big-name companies in the past – and none bigger than IBM. In 2017, the two companies partnered for cross-border money transactions in the South Pacific region. And just last week, the Ministry of Digital Information of Ukraine announced it will be working with Stellar to develop the country's digital infrastructure.

Buy XLM under \$0.30 on Coinbase. We can see that the future of moving money is squarely on the blockchain, and Stellar Lumens is one of the best positioned altcoins to capture part of the multi-trillion-dollar industry.

Updates on our Recommended Coins

Electroneum (ETN) saw a vigorous rally late last week, climbing from as low as \$0.00486 to as high as \$0.0095 in less than a day! Sure, that may not look like a lot initially... but it's a 95.5% gain! While the coin has given a lot of that back since, it is still up more than 20% over the last month.

Electroneum remains one of the more innovative and practical cryptocurrency projects. In fact, it's been expanding an electricity and mobile service app across Africa, with more than four million users now signed up. The app gives consumers the ability to use ETN to top up their mobile minutes, pay for mobile data, and pay for electricity. Users can also send ETN to other people.

Ultimately, Electroneum is boosting internet connectivity in Africa by helping people obtain electricity and mobile services. And the peer-to-peer sending function is filling in for the lack of banks in the region. Given its practicality and the millions of people who use the crypto to transfer money, buy mobile data, and pay for electricity, Electroneum has a very bright future. **Buy ETN only on dips below \$0.0055.**

Polkadot (DOT) has seen an explosive start to 2021, rising from below \$5 in late December to over \$14 just today. This is thanks to two very positive news items.

The first is that major crypto exchange Binance listed Polkadot on its front page last month, which caused a surge in trading volume. At the same time, Binance set up a \$10 million fund to stimulate projects in the Polkadot ecosystem.

The second is that successful blockchain startups are choosing Polkadot's network, including decentralized finance (DeFi) insurance app Tidal, which just raised \$1.95 million. Cere, a decentralized version of Salesforce that recently raised \$1.5 million, has also chosen to work on its platform.

Other exciting projects are down the line as well. Frontier is looking to enhance its decentralized application (dApp) development on Polkadot's network, and Moonbeam plans to boost its smart contract technology that includes governance, staking, and cross-chain integration. And Acala plans to be the first stablecoin to launch natively on Polkadot.

Ethereum has been attracting an increasing amount of dApp developers and blockchain companies recently, but Polkadot appears to be a very promising competitor. It's up an impressive 220% in our portfolio, but we expect plenty more strength ahead. **Hold DOT as it trades well above our \$6 limit.**

Uniswap (UNI), the native token of the popular decentralized exchange (DEX) by the same name, has also surged in price over the last couple of weeks – from \$3 to above \$7. This shouldn't be a surprise considering the bullish action in cryptos recently... and the fact that Uniswap is one of the most popular trading hubs.

Just a few days ago, the crypto hit a new all-time high liquidity of \$3 billion. Numerous cryptocurrencies and crypto projects have most of their trading volume on the Uniswap

platform. In fact, there is so much activity right now that it is causing gas prices to rise across the entire Ethereum network!

In addition, Uniswap continues to be one of the top hubs for yielding farming – which is where yield farmers provide liquidity and reap the profits. Considering its dominance in this niche and the DEX in general, our outlook on this crypto remains as strong as ever.

Buy UNI only on dips below \$6.

Tron (TRX) has had a volatile month, rallying nicely into the end of the year and to kick off the new one before giving back a lot of those gains in recent trading. One reason the crypto has been lagging some of its peers is a lawsuit against the Tron Foundation over TRX's \$70 million initial coin offering (ICO) in 2017. Some major investors in the ICO claim that the Foundation broke the law, and they're asking for their damages to be repaid.

The TRX market is likely being suppressed by the negativity surrounding this lawsuit, and we expect that will continue until it's resolved.

There have also been some rumors that the SEC is investigating Tron, and that's weighing on the coin's price as well. There is concern that the SEC could sue the Tron Foundation for violations of security laws, similar to what recently happened with Ripple.

Ultimately, though, our bullish outlook here has not changed a bit. This is just another lawsuit that will have little affect over the long term, and once things are resolved, we'll be rewarded for our patience. **Keep buying TRX anytime it's trading below \$0.03.**

Winning the Race... And Still Running

Last August, Matt made a friendly wager with our InvestorPlace colleague Louis Navellier. If you're not familiar with Louis, he's a legendary growth stock investor with sophisticated computer systems who is sometimes called the "king of quants."

They called it the Race to 40K.

The question was: Would the Dow or bitcoin get to 40,000 first?

Louis bet on the Dow, and Matt took bitcoin.

More than a few folks thought he was crazy, but as you know, bitcoin topped \$40,000 a little over a week ago. So Louis will donate \$5,000 to a charity of Matt's choice.

This is not to say stocks aren't good investments, too. In fact, the Dow also did well, gaining 14% in just five months, and Matt is very bullish on the market in what he calls the Roaring 2020s.

But we are saying that the opportunity in bitcoin and especially altcoins is staggering.

We saw Bitcoin \$40,000 coming – though maybe not quite as fast as it happened – and we also see Bitcoin \$100,000 dead ahead.

This latest push to new highs was driven by “big money” coming in. Institutions and wealthy investors are leading the way, which is different than bitcoin's first 10 years of existence when it was more individual money.

It's hard to believe it's been 10 years, and yet everything is just beginning. As Charlie tweeted recently, “Almost 10 years ago, I discovered bitcoin and made a conscious decision to make it my life's work. I had a vision that if we created a financial system that didn't require permission to join, it would completely change how humans work together.”

That really is what this is all about.

The bigger the change, the bigger the profits. And we're just getting started.

Sincerely,



Matt McCall



Charlie Shrem

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